

Message Text

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PAGE 01 STATE 046649

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ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

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DRAFTED BY EB/IFD/OIA:DHSTEBBING

APPROVED BY EB/IFD/OIA:RMSMITH

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R 062209Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY BONN

AMEMBASSY BERN

C O N F I D E N T I A L STATE 046649

FOLLOWING REPEAT STATE 046649 SENT ACTION CONAKRY DTD 01 MAR 75

QUOTE:

C O N F I D E N T I A L STATE 046649

E.O. 11652: GDS

TAGS: EMIN, EINV, GV

SUBJECT: GUINEAN MINERALS TAX DEVELOPMENTS

1. NORANDA (BASSINNE) AND OLIN REPS MET WITH OPIC FEB 26 TO DISCUSS ISSUES OF NEW BAUXITE TAX AND CONTROL OF FOREIGN EXCHANGE EXPENDITURE. OPIC INSURANCE OF OLIN PORTION OF FRIALCO DEBT REMAINS IN EFFECT UNTIL 1978. REPS SOUGHT ASSURANCES FROM OPIC THAT ANY CLAIM THAT MIGHT EVENTUATE WOULD NOT BE IMPAIRED IF FRIALCO SHOULD PROPOSE TO THE GOG PLACING CERTAIN CONDITIONS UPON AN AGREEMENT TO PAY THE TAX AND IF FRIALCO SHOULD AGREE TO GOG DEMANDS FOR NEGATIVE CONTROL OF FOREIGN EXCHANGE EXPENDITURE. OPIC ASKED FOR AND FRIALCO REPS PROMISED TO PUT REQUEST FOR SUCH ASSURANCES IN WRITING. WE WILL KEEP YOU INFORMED.

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PAGE 02 STATE 046649

2. IN DISCUSSIONS WITH OPIC AND AF/W (MEMCON OF AF/W

CONVERSATION POUCHED) BASSINNE GAVE PERSONAL OPINION THAT FRIALCO IS LARGELY PREPARED TO ACCEDE TO GOG DEMANDS ON TAX. ALTHOUGH IN CONSULTATIONS WITH OPIC BASSINNE WAS CAREFUL NOT TO STATE COMPANY POSITION ON CONTROL OF FOREIGN EXCHANGE EXPENDITURE. WE BELIEVE HE PERSONALLY CONSIDERS IT NECESSARY TO YIELD TO GOG DEMANDS ON THAT ISSUE ALSO.

3. WE HAVE BEEN INFORMED THAT A SECOND MESSAGE IS TO BE SENT TO PRESIDENT SEKOU TOURE FROM HALCO PROPOSING CONAKRY VISIT IN NEAR FUTURE BY HALCO BOARD CHAIRMAN

FRED BARKER (OF ALCAN). PURPOSE OF VISIT WOULD BE MEETING BETWEEN BARKER AND GUINEAN PRESIDENT TO DISCUSS BAUXITE TAX. MARTIN-MARIETTA INFORMS US HALCO WILL CONSIDER SUBMITTING DISPUTE TO ARBITRATION, AS PROVIDED FOR IN BASIC CONTRACT, SHOULD NEGOTIATIONS NOT PRODUCE AGREEMENT ON TAX.

4. AS A PRECAUTIONARY MEASURE UNDER AN INSURANCE CONTRACT PROVISION REQUIRING THAT AN INSURED COMPANY ALERT OPIC TO ANY HOST GOVERNMENT ACTION THAT MIGHT MATURE INTO A CLAIM, HALCO HAS OFFICIALLY NOTIFIED OPIC THAT THE NEW TAX IS OR MAY BECOME AN EXPROPRIATORY ACTION. HALCO REPS ARE NOT CONCERNED AT THE MOMENT ABOUT ANY POSSIBILITY THAT GOG MIGHT DEMAND NEGATIVE CONTROL OF FOREIGN EXCHANGE TRANSACTIONS, AS WITH FRIALCO. THEIR VIEW APPEARS TO REST ON TWO BASES: FIRST, CBG AND HALCO ARE BOTH DELAWARE, NOT GUINEAN, CORPORATIONS. SECOND,

BANK OF AMERICA ACTS AS TRUSTEE IN ALL FOREIGN EXCHANGE TRANSACTIONS UNDER AGREEMENT SIGNED BY GOG, EACH MEMBER FIRM OF HALCO, OPIC, EXIM BANK, AND THE WORLD BANK; THUS HALCO DOES NOT BELIEVE TRUST AGREEMENT COULD EASILY BE AMENDED. INGERSOLL

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